

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7667

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY LISBON

AMEMBASSY MADRID

AMEMBASSY OSLO

USMISSION EC BRUSSELS

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C O N F I D E N T I A L LONDON 19717

E.O. 11652: XGDS-1

TAGS: EAID PFOR PO UK

SUBJECT: UK ECONOMIC AID TO PORTUGAL

REF: STATE 297463

1. WE DISCUSSED US ECONOMIC ASSISTANCE TO PORTUGAL WITH
SENIOR OVERSEAS DEVELOPMENT MINISTRY OFFICIAL DECEMBER 22.

IN RESPONSE TO OUR QUESTION ON BRITISH ASSISTANCE PLANS

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HE STATED THAT ODM WILL CONTRIBUTE ABOUT 4.5 MILLION

POUNDS TO EUROPEAN INVESTMENT BANK'S PLEDGE OF 150 MILLION UNITS OF ACCOUNT FOR LOANS TO PORTUGAL. HE ADDED (AND ODM SHOULD NOT BE REFERRED TO AS SOURCE OF THIS COMMENT) THAT FCO AND ODM ARE IN CONFLICT OVER GIVING BILATERAL AID TO PORTUGAL. FCO IS PUSHING FOR 10 MILLION POUND LOAN PACKAGE BUT MINISTER OF OVERSEAS DEVELOPMENT REG PRENTICE HAS DECIDED THAT ODM CANNOT WITHIN ITS RURAL-DEVELOPMENT-ORIENTED POLICY JUSTIFY BILATERAL AID TO PORTUGAL. ACCORDING TO SOURCE BOTH PARTIES HAVE DUG IN THEIR HEELS ON THIS ISSUE AND IT IS DIFFICULT TO PREDICT HOW IT WILL BE RESOLVED.

2. SOURCE STATES THAT EUROPEAN INVESTMENT BANK IS PRESENTLY CONSIDERING AN ADDITIONAL EVEN LARGER LOAN PROPOSAL FOR PORTUGAL. HE UNDERSTANDS THAT BANK OFFICIALS ARE TALKING IN TERMS OF 250 MILLION UNITS OF ACCOUNT. THIS WOULD MEAN AN ADDITIONAL CONTRIBUTION OF ABOUT NINE MILLION POUNDS FROM ODM'S BUDGET. THOUGH ODM SOURCE STATES THAT COMPROMISE MAY BE POSSIBLE ON QUESTION OF BILATERAL AID, ANY DECISION BY EUROPEAN INVESTMENT BANK TO MAKE ANOTHER LOAN PACKAGE AVAILABLE WOULD RAISE "SUBSTANTIAL DOUBTS" OVER ABILITY OF ODM TO FUND ANY BILATERAL PROGRAMS.

3. TO DATE BRITISH BILATERAL ASSISTANCE HAS INCLUDED 35,000 POUNDS FOR THE TRANSPORT AND PROVISION OF SUPPLIES SUCH AS BLANKETS, SHEETS, CHILDREN'S CLOTHING, TOOLS AND COOKING UTENSILS FOR PORTUGUESE RETURNEES FROM ANGOLA, 27,000 POUNDS FOR SHIPMENT TO LISBON OF 100 TONS OF BRITISH MILK POWDER, AND 187,000 POUNDS FOR 47,000 BLANKETS AND THEIR SHIPMENT.

4. COMMENT: SINCE IMPORTANCE OF AID TO PORTUGAL IS ESSENTIALLY POLITICAL AND IT IS CLEAR PUSH FOR UK BILATERAL CONTRIBUTION WILL HAVE TO COME FROM FCO, WE INTEND TO FOLLOW UP WITH THAT MINISTRY AT A HIGH LEVEL AS PROMPTLY AS HOLIDAY SLOWDOWN AND ABSENCES PERMIT.

RICHARDSON

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